

#### **286.4-560 Insurance.**

- (1) A licensee may request a borrower to insure tangible personal property, except household goods, offered as security for a loan exceeding three hundred dollars (\$300) under this subtitle against any substantial risk of loss, damage, or destruction for an amount not to exceed the actual value of such property or the approximate amount of the loan, whichever is greater, and for a term and upon conditions which are reasonable and appropriate considering the nature of the property and the maturity and other circumstances of the loan; provided such insurance is sold by a licensed agent, broker, or solicitor. The licensee may also request and secure credit property insurance on the tangible personal property, except that no part of the cost thereof shall be charged to the borrower unless the insurer agrees that it will not exercise its right to subrogation against the borrower under the licensee's policy.
- (2) A licensee may also request, provide, obtain, or take as security for any loan obligation insurance on the life, unemployment, health, or disability, or all, of the borrower, or two (2) of them if there are two (2) or more. Life insurance shall be in the approximate amount of the indebtedness scheduled to be due the licensee under the loan contract. Not more than one (1) policy of life insurance may be written in connection with any loan transaction under this subtitle. The aggregate amount of periodic benefits payable by any unemployment, health, or disability insurance provided, obtained, or requested by the licensee in the event of unemployment or disability, as defined in the policy, shall not exceed the aggregate of the scheduled installments and the waiting period provided in such policy must be fourteen (14) days or longer. The premium rate for insurance provided under this section shall be reasonable in relation to the benefits provided and shall be filed with the commissioner of insurance. The commissioner of insurance shall, within thirty (30) days after the filing of any premium rate, disapprove such premium rate if it is excessive in relation to the benefits. In determining whether to approve or disapprove any premium rate, the commissioner of insurance shall give due consideration to the unemployment, mortality, and morbidity costs with respect to such insurance on borrowers under this subtitle or similar acts in other states, a reasonable margin for underwriting expenses and profit and contingencies to the insurer, and cost and compensation to the licensees for providing and servicing such insurance, plus the premium taxes payable on such insurance.
- (3) In accepting any insurance provided for by this section as security for a loan the licensee, its officers, agents, or employees may deduct the premiums or identifiable charge therefor from the proceeds of the loan, which premium or identifiable charge shall not exceed the rate filed with the commissioner of insurance and not disapproved and remit such premiums to the insurance company writing such insurance and any gain or advantage to the licensee or any employee, officer, director, agent, affiliate, or associate from such insurance or its sale shall not be considered as additional or further charge in connection with any loan made under this subtitle. The arranging for and collecting of an identifiable charge shall not be deemed the sale of insurance.
- (4) Every insurance policy or certificate written in connection with a loan transaction

pursuant to subsection (2) of this section shall provide for cancellation of coverage and a refund of the premium or identifiable charge unearned upon the discharge of the loan obligation for which such insurance is security without prejudice to any claim. Such refund shall be under a formula filed by the insurer with the commissioner of insurance.

- (5) Whenever insurance is written in connection with a loan transaction pursuant to this section, the licensee shall deliver or cause to be delivered to the borrower a policy, certificate, memorandum, or other disclosure which shall show the coverages and the cost thereof, if any, to the borrower within thirty (30) days from the date of the loan.
- (6) All such insurance shall be written by a company authorized to conduct such business in this state and the licensee shall not require the purchase of such insurance from any agent or broker designated by the licensee nor shall the licensee decline existing coverages which equal or exceed the standards of this section.

**Effective:** July 15, 2014

**History:** Amended 2014 Ky. Acts ch. 58, sec. 1, effective July 15, 2014. -- Amended 2010 Ky. Acts ch. 24, sec. 665, effective July 15, 2010. -- Amended 1992 Ky. Acts ch. 222, sec. 3, effective July 14, 1992. -- Amended 1982 Ky. Acts ch. 53, sec. 4, effective July 15, 1982. -- Amended 1970 Ky. Acts ch. 48, sec. 3. -- Created 1960 Ky. Acts ch. 204, sec. 16, effective June 16, 1960.

**Formerly codified as** KRS 288.560.

**Legislative Research Commission Note** (7/12/2006). In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the Kentucky Financial Services Code, KRS Chapter 286, and KRS references within this statute have been adjusted to conform with the 2006 renumbering of that code.